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## India

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### Indian Cabinet Approves Sugarcane Production Subsidy

**Report Categories:**

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Policy and Program Announcements

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**Report Highlights:**

On November 18, 2015, the Government of India's (GOI) Cabinet Committee on Economic Affairs (CCEA) approved a sugarcane production subsidy of INR 4.50 per quintal for sugarcane crushed during MY 2015/16 (Oct-Sept). The production subsidy will be provided to farmers on behalf of the sugar millers which are indebted to cane farmers for old crop sales. Qualifying sugar millers must have exported at least 80 percent of the indicative sugar export quota, and achieved 80 percent of respective targets of ethanol production.

## **General Information:**

On November 18, 2015, the CCEA approved a production subsidy of INR 4.50 per quintal for sugarcane crushed in MY 2015/16 to be paid directly to the farmers on behalf of millers. Subsidy payouts would be adjusted against the cane prices fixed under the Fair and Remunerative Price (FRP) program and include debts owed by sugar millers to farmers for crop sold during the previous year. The FRP is the minimum price millers are obligated to pay sugarcane farmers and is linked to the basic recovery rate of 9.5 percent. The FRP for MY 2015/16 is fixed at INR 230 per quintal. Debts settlement on behalf of millers from previous years would be prioritized under the program. ([PIB Press Release](#)).

Including the subsidy, millers will now have to pay cane farmers INR 225.5/quintal of cane produced, leaving sugar mills to bear nearly 98 percent of the cost. Eligible recipients (sugarcane millers) must meet 80 percent of the targets notified under the CCEA's Minimum Indicative Export Quota (MIEQ), as well as achieve 80 percent of target to supply ethanol for blending with gasoline under the GOI's ethanol blending program. The value of the subsidy is estimated upwards of \$180 million and would be paid by the Sugar Development Fund (SDF). According to industry sources, the GOI designed the subsidy to be compatible with India's WTO commitments, as well as to offset some of the cane costs, particularly as Indian sugar prices remains depressed and millers face liquidity crunch.

On September 18, 2015, the Ministry of Consumer Affairs, Food, and Public Distribution's Department of Food and Public Distribution notified factory-wise [MIEQ](#) under tradable export scrip program. Export quota of four million metric tons (MMT) of sugar for MY 2015/16 has been allotted to mills based on their average sugar production for last three seasons, but with no export incentive this season. The sugar export subsidy in MY 2014/15 was INR 4,000 per metric ton and ended on Sept 30, 2015 (GAIN report [IN5026](#)).

Recently the GOI also scaled up its ethanol blending target from five to 10 percent, as well as established the Targeted Ethanol Blending Program (TEBP). TEBP is based on a national roster of sugarcane millers with the capacity to produce and provide ethanol to Indian parastatal petroleum companies. The GOI also finalized consultations with states governments regarding ethanol marketing and logistical details, as well as quantities millers will need to supply to parastatal companies. For more information on EBP, kindly refer our GAIN report [IN5079](#).